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SUBJECT: VISIT OF AFRICA BUREAU SENIOR ADVISOR, AMBASSADOR RUTH A. DAVIS, TO SHANGHAI, CHINA

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¶1. (SBU) Summary: In Shanghai from September 8-14, Ambassador Ruth A. Davis participated in the Vital Voices symposium for Chinese and African women business leaders, met with Chinese Africa experts, visited two Chinese companies investing in Africa and delivered a lecture on U.S.-African policy at East China Normal University. Both Chinese academics and businessmen shared the challenges - and objectives - of Chinese economic involvement in Africa. End summary.

Vital Voices Symposium  
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¶2. (U) In support of the Africa Bureau's China in Africa Dialogue, Senior Advisor Ambassador Ruth A. Davis and AF Public Diplomacy and Public Affairs Director Claudia Anyaso represented the Bureau at the symposium "Women as an Economic Force: A Leadership Training and Business Exchange for African and Chinese Women", Sept 9-12, 2007. Organized by Vital Voices, a U.S. NGO, the symposium brought together more than 35 Chinese and African businesswomen to discuss economic development, encourage trade, and foster accountability and social responsibility. The symposium was an outgrowth of the Vital Voices Leadership Summit held in Cape Town, South Africa in January 2007 that was attended by African women from more than 30 countries, and women from another 12 countries, including China.

¶3. (U) Ambassador Davis provided an overview of symposium goals, which included the value of positive partnerships and fair business practices as well as the importance of leadership training to enhance the entrepreneurial success of the African and Chinese symposium participants. She then moderated a panel discussion on the theme "China and Africa: Business Trends, Challenges, and Opportunities" that featured nine of the Chinese and African participants. One of the outcomes of the symposium was the formation of a joint African and Chinese businesswomen's forum to continue communication, dialogue, and mentoring.

BHP Billiton Economist on China-Africa Relations  
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¶4. (SBU) On September 13, Ambassador Davis and Ms. Anyaso met with BHP Billiton Economist and former FSO Robin Bordie to discuss the impact of Chinese investment in Africa. Billiton, a

large mineral extraction firm headquartered in Melbourne, Australia, has mining projects in Africa. Its economists, including Bordie, are doing extensive research on Chinese investments in Africa and how Africans perceive them. According to Bordie, poor quality of Chinese products and poor corporate management is causing a backlash from African publics. Reluctance of Chinese companies to hire and train local employees and importing Chinese construction teams and managers have also created negative perceptions.

15. (SBU) Bordie's research indicates that large Chinese State-Owned Enterprises (SOEs) are more successful and are perceived more favorably in Africa than small and medium Enterprises. Among SOEs there appears to be an emerging consciousness that Chinese companies need to act more responsibly. She noted that the real problem in China-African relations is that cheap Chinese products are undermining small African entrepreneurs. African textile makers find it hard to compete with Chinese manufacturers who copy traditional African textiles and sell them at cut-rate prices. One possible area of African and Chinese cooperation is biotechnology, as China is interested but has been unable to grow genetically modified food due to the small acreage of Chinese farms. Joint ventures between Chinese and African farmers may be a mutually beneficial answer.

#### Chinese Academics: Economic Relationship with Africa Becoming More Diverse

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16. (SBU) On September 13, Shanghai Consul General Kenneth Jarrett hosted a luncheon for Ambassador Davis with Shanghai academics interested in Africa. Dr. Ni Jianping, Vice President, Shanghai Institute of American Studies, said China must find a way to coordinate its national interests with the interests of SOEs and private firms, to include modifying its policy of non-intervention. China also must bridge a "cultural gap," to include the greater focus African nations accord human rights, and more effectively convey its culture to the African

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people.

17. (SBU) Dr. Mu Tao, Vice Dean and Africa Specialist, History Department, East China Normal University, said it is a misperception that China is only interested in Africa for its resources and that in many African countries, China is trying to change and diversify the economic relationship to achieve a "win-win" outcome. He referred to Tanzania where China is helping local textile makers improve their businesses to compete with Chinese and other foreign firms. Mu, an advisor to the 2010 Shanghai World Expo where many African countries will have exhibitions, said that Expo organizers are trying to assist African participants in identifying their best products and marketing these products at the Expo. On the national level, he said that the Chinese Government recognizes the importance of corporate social responsibility and is intervening accordingly, to include requiring Chinese private enterprises to obtain export licenses before they can operate in Africa.

#### Chinese Companies: Different Approaches

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18. (SBU) Ambassador Davis and Ms. Anyaso also visited two Shanghai companies investing in Africa. The first company, Shanghai Electric, is one of the largest suppliers of power generation equipment in China and has just begun to enter the African market. According to Shanghai Electric Assistant to the President Andrew C.K. Li, the company signed a contract with Tanzania to provide the country with thermal power generation equipment in January 2007. Li finds that the biggest challenge of doing business in Africa is the lack of infrastructure and lack of equipment and parts in the local market. Li said Chinese are employed rather than local workers because the company provides equipment assembled in China. He said it saves time and is easier to have Shanghai staff handle service

problems.

¶9. (SBU) Ambassador Davis and Anyaso also visited ZTE, a telecommunications company that sells mobile phones, wireless equipments and terminals. ZTE has much more experience in Africa than Shanghai Electric and is taking a more long-term approach to Africa. Two-thirds of ZTE's revenue comes from overseas sales, the bulk of those being in Africa. ZTE, in partnership with Siemens, recently signed a contract with Vodaphone to sell two million mobile phones to Kenya, South Africa, Tanzania and the Congo.

¶10. (SBU) Vice General Manager Zhao Yizhe said ZTE has a strong sense of social responsibility and has adopted a "localization" strategy. It has 20 local offices in Africa and more than 50 percent of its employees in the offices are from the local community. It sends engineers to provide training to local staff and, at times, also pays for African staff to travel to ZTE's training center in Shenzhen in southern China. In addition to training local employees, ZTE also outsources its projects to African companies and tries to pass on its technology to these companies.

Lecture at East China Normal University  
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¶11. (U) On September 14, Ambassador Davis gave a lecture on U.S.-Africa relations to approximately 60-70 graduate students at East China Normal University. She stressed that U.S. goals for Africa dovetail with African nations' own interests and include freedom, rule of law, and security. She noted that the United States is working successfully with African nations to further economic development and end conflicts, and that together the U.S. and China can contribute to the continent's continued success. Ambassador Davis described the official talks that AF Assistant Secretary Frazer has had with her Chinese counterparts, in which they discussed areas of potential cooperation such as agriculture, health, and Darfur. Ambassador Davis noted that there is a common perception in the United States that China is only interested in Africa in order to extract resources and has failed to encourage transparency and the rule of law. High student interest kept Ambassador Davis fielding questions for almost an hour.  
JARRETT